

FISCAL NOTE

HB 2040

March 19, 2007

SUMMARY OF BILL: Enacts the “Tennessee Beverage Container Deposit Act of 2007”. Requires deposit beverage distributors to pay the Department of Environment and Conservation (E&C) a sum total of eight-cents (8¢) per deposit beverage container (three cents [3¢] is considered a non-refundable deposit beverage container fee and five cents [5¢] is considered a refundable deposit). Creates the “Deposit Beverage Container Special Fund (DBCSF)”. Requires establishment of certified redemption centers. Requires E&C to create an advisory committee to assist in developing rules for implementation. Requires E&C to administer program through its Division of Solid Waste Management. Requires E&C to provide quarterly reports to the Governor and to the General Assembly. Requires Comptroller to audit program every two years.

ESTIMATED FISCAL IMPACT:

Increase State Revenues -

**Net Impact - \$82,370,000 - FY07-08 / Deposit Beverage Container Fund
\$10,000,000 - FY07-08 / Highway Fund - Earmarked for Litter Programs**

**Net Impact - \$73,300,000 - FY08-09 / Deposit Beverage Container Fund
\$10,000,000 - FY07-08 / Highway Fund - Earmarked for Litter Programs**

Decrease State Revenue -

\$5,100,000 / Highway Fund - Earmarked for Litter Programs

\$104,000 / General Fund

\$233,000 / Education Fund

\$16,000 / Earmarked to Local Govt.

\$4,000 / Sinking Fund

Decrease Local Govt. Revenues - \$138,000

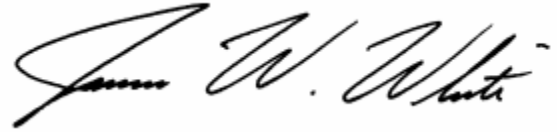
Assumptions:

- Based from Container Recycling Institute (CRI) data, the total number of deposit beverage containers consumed in Tennessee is estimated to be approximately 4.2 billion per year.

- Deposit beverage containers redeemed at a 72% rate in FY07-08 and 75% in FY08-09 and thereafter.
- 1% annual population growth in Tennessee.
- Based on fee and deposit rates proposed, collections to the DBCSF are estimated to be \$336.0 million per year in FY07-08 and \$339.4 million in the FY08-09 and thereafter.
- First-year deposits redeemed (paid from DBCSF) are estimated to be \$151.2 million.
- Second- and subsequent-year deposits redeemed (paid from DBCSF) are estimated to be \$159.1 million.
- First-year handling fees (paid from DBCSF) to certified redemption centers are estimated to be \$90.7 million.
- Second- and subsequent-year handling fees (paid from DBCSF) to certified redemption centers are estimated to be \$95.4 million.
- Administrative costs, including costs for E&C to administer the program and for the Comptroller to perform the required audits, are estimated to be \$1.6 million per year. These recurring expenditures will be paid from the DBCSF.
- One-time state expenditures for form development, computer programming, and software modifications are estimated to be \$130,000. These one-time expenditures will be paid from the DBCSF.
- According to the Department of Revenue (DOR), beer barrelage tax collections and bottler's gross receipts tax collections will decrease as a result of this bill. The decrease is estimated to be \$5.1 million per year. Such funds would have been earmarked to the Highway Fund for the administration of litter grant programs.
- According to DOR, state and local sales tax collections will decrease as a result of reduced beer barrelage tax collections and reduced bottler's gross receipts tax collections. The decrease to state sales tax revenues is estimated to be \$357,000 per year and the decrease to local option sales tax revenues is estimated to be \$122,000 per year.
- The \$357,000 in state sales tax revenue would have been apportioned as follows: \$104,000 to the General Fund, \$233,000 to the Education Fund, \$16,000 to local governments, and \$4,000 to the Sinking Fund.
- The total decrease to local government revenues is estimated to be \$138,000 per year (\$122,000 local option sales tax + \$16,000 state-shared sales tax revenue = \$138,000).
- \$10,000,000 shall be apportioned from the DBCSF to the Highway Fund for the purpose of administering county litter grant programs each year.
- Funds remaining in the DBCSF after all applicable expenses and proposed apportionments are estimated to be \$82,370,000 in FY07-08 and \$73,300,000 in FY08-09 and thereafter. These funds shall remain with the DBCSF and be earmarked for purposes and programs authorized by this act.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized initial "J".

James W. White, Executive Director